

Report Summary

LAC

October 2002

Family Independence
Contracts and Outcomes:
2000 to 2002

The Family Independence Act requires the Legislative Audit Council to report every two years on the success and effectiveness of the policies and programs created under this act. We focused on how the Department of Social Services (DSS) has used welfare funds to contract with other state agencies and private organizations for services to low-income families. In addition, we reviewed the three outcome measures as required by S.C. Code §43-5-1285 — the number of individuals no longer receiving welfare, the number participating in education and training, and the number finding employment.

CONTRACTS FUNDED WITH TANF FUNDS

SOLE-SOURCE CONTRACTS

The primary sources of funding for the Family Independence program are federal Temporary Assistance to Needy Families (TANF) funds, together with state matching funds. We reviewed 21 TANF-funded contracts with a total budget of about \$35 million.

- The 21 contracts were all sole-source procurements.
- DSS's reliance on sole-source as the procurement method for TANF-funded services did not allow other bidders fair and equitable access to government contracts.
- Without testing the market, DSS cannot know that it has chosen the best contractor to perform desired services.

State law requires agencies to provide written justifications that include the determination and basis for all sole-source procurements. DSS's justifications did not always specify why the individual contractor was the only source that could satisfy the agency's needs.

**DSS DOES NOT ADEQUATELY MONITOR
TANF-FUNDED CONTRACTS FOR FISCAL
ACCOUNTABILITY, CONTRACTOR COMPLIANCE,
OR EFFECTIVENESS OF OUTCOMES.**

CONTRACT MONITORING

Many contracts we reviewed did not clearly spell out program specifications, such as the number and type of clients to be served, desired client outcomes, payment methodologies and schedules, and reporting requirements.

Other than contractors' self reporting, DSS has no way of knowing whether contractors have complied with contract terms or whether clients and agency officials are satisfied with the service. DSS has no designated staff to monitor the \$35 million in TANF contracts, and no standard reporting requirements. In many cases, contracts are not based on a cost per client or cost per unit of service.

We also reviewed two other DSS procurements related to TANF funds.

" DSS awarded a 3-year contract to a management and consulting firm through a competitive proposal process, and has committed \$712,598 in state, TANF, and other federal funds. We found that the contract, as written, did not ensure effective or cost-efficient services.

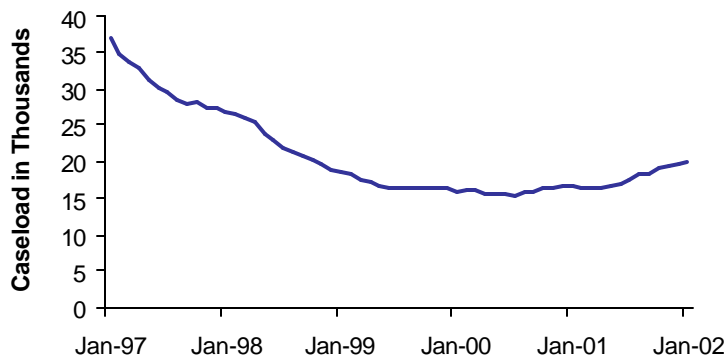
" In September 1999, DSS committed \$5 million in federal TANF funds for the First Steps program under a memorandum of understanding with the Governor's Office. As of the end of FY 01-02, only \$542,758 had been spent. The First Steps program was appropriated \$20.9 million in state funds for FY 02-03.

NEEDS OF THE CORE WELFARE POPULATION

DSS has used TANF funds for contracts to provide services that were mainly targeted to low-income families or foster care children, and which did not always give priority to FI families. We identified other uses of TANF funds that could serve the needs of the core welfare population, including increasing benefit levels and providing more training and transportation so recipients can become employed.

DATA ON WELFARE CLIENTS

Changes in Family Independence Caseload



INCREASE IN WELFARE RECIPIENTS

The number of welfare recipients has increased for the first time since welfare reform was initiated. The number of individuals receiving welfare in December 2001 was 24% more than the number in January 2000; average monthly caseloads increased 11% during this time. Welfare rolls have grown nationally, primarily due to a weaker economy. Other factors contributing to the increased number of Family Independence recipients included:

- Plant closures and subsequent layoffs.
- Families applying to the FI program in order to obtain child care and transportation.
- Hard-to-place clients remaining on welfare rolls.

CLIENTS PARTICIPATING

In order to receive federal TANF funds, DSS must ensure that at least 50% of the families on welfare are participating in work or training activities at least 30 hours per week. For FFY 00-01, the participation rate for South Carolina was 57%, which met current federal requirements.

It could be extremely difficult for DSS to meet stricter federal requirements for the number of clients participating in work and training activities. Proposed federal standards may require DSS to deal with more clients and develop more work and training opportunities for them. About 70%

of current welfare recipients are former clients who have returned to welfare, which indicates they may be "hardship" cases who need more services from DSS before they can sustain employment. As of December 2001, there was a pool of 6,900 unemployed FI clients.



CLIENTS EMPLOYED

During 2000 and 2001, Family Independence recipients obtained 13,512 full-time jobs and 5,245 part-time jobs; however, about 23% of recipients who were employed returned to the FI program within one year. The average hourly wage of \$6.53 was a 7% increase over the previous two years. During this time, 41% of all the welfare cases closed by DSS were due to welfare clients obtaining jobs. While many clients did find work, 27 of 40 county directors whom we surveyed stated that it was difficult to find full-time employment for job-ready clients.

Transportation remains a major barrier to FI clients seeking to find and keep jobs. Having both transportation and child care on an affordable basis is an on-going issue for FI clients and working, low-income families.

This document summarizes our full report, *Family Independence Contracts and Outcomes: 2000 to 2002*. A response from DSS is included in the full report. All LAC audits are available free of charge. Audit reports and information about the LAC are also published on the Internet at www.state.sc.us/sclac. If you have questions, contact George L. Schroeder, Director.